

# **State of Alaska FY2008 Governor's Operating Budget**

## **Department of Administration Lease Administration Component Budget Summary**

## Component: Lease Administration

### Contribution to Department's Mission

The leases program provides cost effective office space for State agencies in a timely manner.

### Core Services

- Procure private leased space for use by the State Executive Branch.
- Manage space and administer over 550 leases with the private sector and leases in State owned facilities.
- Provide space-planning recommendations and retain architectural and engineering services to analyze lease space issues (i.e., structural load capacities)
- Conduct lease rate and space availability market research studies.
- Consolidate state owned and/or leased space when economies can be realized.
- Review agency remodel request in leased facilities and obtain lessor's approval.

End Results	Strategies to Achieve Results
<b>A: Maximized effectiveness and efficiency of State leased space.</b>  <u>Target #1:</u> 5 % reduction in average cost of leased space. <u>Measure #1:</u> The cost of newly negotiated rental rate per square foot versus market rate per square foot.	<b>A1: Re-negotiate lease terms to obtain reduced costs.</b>  <u>Target #1:</u> All expiring leases re-negotiated at lower costs. <u>Measure #1:</u> Percent of expiring leases re-negotiated at reduced rates.

FY2008 Resources Allocated to Achieve Results	
<b>FY2008 Component Budget: \$1,117,600</b>	<b>Personnel:</b> Full time 10 Part time 1 <hr/> <b>Total 11</b>

### Performance Measure Detail

#### A: Result - Maximized effectiveness and efficiency of State leased space.

**Target #1:** 5 % reduction in average cost of leased space.

**Measure #1:** The cost of newly negotiated rental rate per square foot versus market rate per square foot.

**Cost of newly negotiated rental rate per square foot versus market rate per square foot.**

Fiscal Year	semi-annual	semi-annual
FY 2005	*	12.85%
FY 2006	5.0%	28.74%

FY 2005: \* No leases renegotiated during this time period.

FY 2006: Data shown is averaged for the semi-annual period.

**Analysis of results and challenges: .**

07/01/03–06/30/04: Measurement to take place in FY2005.

07/01/04-09/30/04: As of 9/30/04 no leases have been renegotiated.

10/01/04-12/31/04: As of 12/31/04, no leases have been renegotiated.

01/01/05-03/31/05: 11.58% average reduction from market rent (based on cost per square foot).

04/01/05-06/30/05: 14.12% average reduction from market rent (based on cost per square foot).

07/01/05-09/30/05: 10.0% average reduction from market rent (based on cost per square foot).

10/01/05-12/31/05: 0.0% average reduction from market rent (based on cost per square foot).

01/01/06-06/30/06- 28.74% average reduction from market rent (based on cost per square foot).

**A1: Strategy - Re-negotiate lease terms to obtain reduced costs.**

**Target #1:**All expiring leases re-negotiated at lower costs.

**Measure #1:** Percent of expiring leases re-negotiated at reduced rates.

**% of expiring leases re-negotiated at reduced rates.**

Fiscal Year	semi-annual	semi-annual
FY 2005	*0%	35.0%
FY 2006	66.7%	81.8%

FY 2005: \* No data to report for this time period.

FY 2006: Data shown is averaged for the semi-annual periods.

**Analysis of results and challenges: .**

07/01/03–06/30/04: Measurement to take place in FY2005.

07/01/04-09/30/04: 0%.

10/01/04-12/31/04: 0%.

01/01/05-03/31/05: 50%.

04/01/05-06/30/05: 20%.

07/01/05-09/30/05: 100%.

10/01/05-12/31/05: 33.33%

01/01/06-06/30/06: 81.8%

**Key Component Challenges**

Enforce revised space standards ultimately to reduce space needs and associated expenditures.

- Obtain replacement space for leases expiring in FY2007 and FY2008.
- Obtain new or additional space for state agencies as required.
- Continue multi year task of designing, planning, constructing and relocating departments from private leases for occupancy to the Robert B. Atwood Building.
- Continue to provide Leases Training for occupants and agency procurement staff.
- Conduct site investigations of lease and owned space to ensure maximum efficiency and improve space management.
- Reduce average lease cost for expiring leases as provided in AS 36.30.083.
- Continue inventory all State owned facilities office space maintained by other Departments and obtain agency occupancy and square footage for use in maximizing occupancy in state space. Information will be tracked in Lease Management System.
- Audit each lease with the private lessors to enforce the renovation clause.
- Audit leases to confirm the private lessors are conforming with their contractual obligation to provide certificate of insurances.
- The following leases have expirations which require renewal or replacement during or before FY 2008. When these leases are replaced the cost of a new lease may exceed the limits set in AS 36.30.080 (c), or \$500,000 per year or \$2.5 million for the life of the lease. The Current Annual Cost is the current annual lease cost of the current lease. Replacement of these leases will take place throughout the next fiscal year and the actual replacement costs are not known at the time of budget preparation. A projection of the potential total cost of the replacement leases has been included under Potential Cost of Replacement Lease w/ all Renewal Options. The actual annual and total cost of each lease will be determined by market conditions at the time of solicitation. This list shall serve as the required notification under AS 36.30.080 (c).

Lease #	Location	Agency	Current Sq Ft	Current Annual Cost	Current Lease Expiration Date	Replacement / New Lease Expiration with all Renewal Options	Potential Cost of Lease with all Renewal Options <small>(commencing w occupy.)</small>
Replace #2078 & #4045	Anchorage	HS&S	24,076 & 7,680	\$416,554 & \$119,808	9/30/09 & n/a (state owned)	1/31/37	\$31,510,980
Replace #2505 & #2506	Anchorage	HS&S	107,220 & 9,978	\$2,619,575 & \$238,058	1/31/10	2/1/19	\$28,479,114
Replace #2217	Juneau	DOL & HS&S	14,756	\$305,635	6/30/08	7/1/17	\$2,750,717
Replace #2396	Anchorage	DOC	24,138	\$670,498	1/31/09	2/1/28	\$13,758,660
Replace #1849	Anchorage	DOL	9,000	\$253,303	2/28/09	3/1/28	\$6,156,000

### Significant Changes in Results to be Delivered in FY2008

In order to achieve overall lease cost savings a number of strategies will continue in FY2008. In addition to reducing the number of leased facilities, space standards will be used as a guideline to equitably reduce the amount of leased space needed. Expanded boundaries and revised lease solicitation documents will be used to decrease the lessors requirements and overall lease rate, thus maximizing space efficiency through improved space management.

Continue to utilize State owned space over procuring lease space through the private sector; specifically, with the acquisition (Sept 06) of the new Palmer State Office Building, 81,000 s.f.

### Major Component Accomplishments in 2006

In order to achieve overall lease cost savings a number of strategies will continue in FY2008. In addition to reducing the number of leased facilities, newly revised (June 2005) space standards will be used as a guideline to equitably reduce the amount of leased space needed. Expanded boundaries and revised lease solicitation documents will be used to decrease the lessors requirements and overall lease rate, thus maximizing space efficiency through improved space management.

Agencies received a one-time General Fund transfer for the Lease component to pay lease obligations for FY2005 and beyond. The department will collect Interagency Receipts from occupying agencies to pay the lease obligations on the agencies behalf.

Continue to utilize State owned space over procuring lease space through the private sector; specifically, with the acquisition (Sept 06) of the new Palmer State Office Building, 81,000 s.f.

### Statutory and Regulatory Authority

AS 36.30.080 State Procurement Code  
AS 44.21.020 (1), (5) Duties of the Department

Contact Information
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### Lease Administration Component Financial Summary

*All dollars shown in thousands*

	FY2006 Actuals	FY2007 Management Plan	FY2008 Governor
<b>Non-Formula Program:</b>			
<b>Component Expenditures:</b>			
71000 Personal Services	775.8	815.6	928.1
72000 Travel	10.3	19.0	19.0
73000 Services	132.1	152.7	155.3
74000 Commodities	36.6	15.2	15.2
75000 Capital Outlay	0.0	0.0	0.0
77000 Grants, Benefits	0.0	0.0	0.0
78000 Miscellaneous	0.0	0.0	0.0
<b>Expenditure Totals</b>	<b>954.8</b>	<b>1,002.5</b>	<b>1,117.6</b>
<b>Funding Sources:</b>			
1007 Inter-Agency Receipts	954.8	1,002.5	1,117.6
<b>Funding Totals</b>	<b>954.8</b>	<b>1,002.5</b>	<b>1,117.6</b>

### Estimated Revenue Collections

Description	Master Revenue Account	FY2006 Actuals	FY2007 Management Plan	FY2008 Governor
<b>Unrestricted Revenues</b>				
None.		0.0	0.0	0.0
<b>Unrestricted Total</b>		<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Restricted Revenues</b>				
Interagency Receipts	51015	954.8	1,002.5	1,117.6
<b>Restricted Total</b>		<b>954.8</b>	<b>1,002.5</b>	<b>1,117.6</b>
<b>Total Estimated Revenues</b>		<b>954.8</b>	<b>1,002.5</b>	<b>1,117.6</b>

**Summary of Component Budget Changes  
From FY2007 Management Plan to FY2008 Governor**

*All dollars shown in thousands*

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
<b>FY2007 Management Plan</b>	<b>0.0</b>	<b>0.0</b>	<b>1,002.5</b>	<b>1,002.5</b>
<b>Adjustments which will continue current level of service:</b>				
-FY 08 Health Insurance Increases for Exempt Employees	0.0	0.0	0.1	0.1
<b>Proposed budget increases:</b>				
-FY 08 Internal Dept Cost Increase due to Retirement Systems Rate Increases	0.0	0.0	2.6	2.6
-FY 08 Retirement Systems Rate Increases	0.0	0.0	112.4	112.4
<b>FY2008 Governor</b>	<b>0.0</b>	<b>0.0</b>	<b>1,117.6</b>	<b>1,117.6</b>

### Lease Administration Personal Services Information

Authorized Positions			Personal Services Costs	
	<u>FY2007</u> <u>Management</u> <u>Plan</u>	<u>FY2008</u> <u>Governor</u>		
Full-time	10	10	Annual Salaries	566,773
Part-time	1	1	Premium Pay	1,444
Nonpermanent	2	1	Annual Benefits	425,744
			<i>Less 6.63% Vacancy Factor</i>	(65,861)
			Lump Sum Premium Pay	0
<b>Totals</b>	<b>13</b>	<b>12</b>	<b>Total Personal Services</b>	<b>928,100</b>

### Position Classification Summary

Job Class Title	Anchorage	Fairbanks	Juneau	Others	Total
Accountant III	0	0	1	0	1
Accounting Tech II	0	0	2	0	2
Administrative Assistant	1	0	0	0	1
Analyst/Programmer III	0	0	1	0	1
Contracting Officer III	5	0	0	0	5
Project Coord	1	0	0	0	1
State Leasing & Facilities Mgr	1	0	0	0	1
<b>Totals</b>	<b>8</b>	<b>0</b>	<b>4</b>	<b>0</b>	<b>12</b>